

OKLAHOMA'S TRUST LANDS

Native America

Greatest One Year Distribution since Statehood with
\$ 83 Million to Schools and \$31 Million to Colleges in FY 2010



Quick Facts on Oklahoma's Trust Lands

FY2010 Distribution was highest in state's history

Trust Land ownership:

Mineral	1,110,000 acres
Surface	740,000 acres

FY 2010 Revenue:

Revenue to Schools	\$ 83 million
Revenue to universities	\$ 31 million
Permanent Funds	\$ 1.6 BILLION
FY 2010 Return on Investments	20%



With three-quarters of a million surface acres and over a million mineral acres, Oklahoma produced \$77 million in Fiscal Year 2010 from its lands and minerals held in trust for public schools and universities. From the land proceeds and wise investments, Oklahoma has built permanent funds of over \$1.6 BILLION. The state constitution states that the "principal shall be deemed a trust fund held by the State, and shall ever remain inviolate. It may be increased, but shall never be diminished." These funds generate investment revenue to support public schools and universities without reliance on taxpayer contributions. The universities receiving this trust income include the University of Oklahoma, Oklahoma State University and its satellite campuses, Langston University, Cameron University, and the University of Science and Arts of Oklahoma.

The Commissioners of the Land Office (CLO) direct both the management of the lands and the investment of the permanent funds. The Commissioners include the Governor, Lt. Governor, State Auditor, Secretary of Education, and Secretary of Agriculture. Day to day operations are managed by Harry Birdwell, the Secretary to the Commissioners. Their mission is "to grow the School Land Trust and to generate maximum earnings for the distribution to the Trust beneficiaries."

In the past, all revenue from non renewable sources, like oil and gas were saved and invested to grow the funds. All surface rental income plus investment income from the permanent funds, minus office expenses, were distributed to the schools and universities—the beneficiaries of the trust. During the 2010 legislative session, the Reform and Modernization Act changed the distribution of the funds. The new act permits lease bonus funds to be distributed to common schools, colleges and universities each year.

In FY 2010 the market value of the permanent funds was \$1,606,568,468. Unlike many other large investment funds they are in the black with their investments. Oklahoma's permanent funds have not suffered the losses of other educational endowments, like Harvard University, Stanford University, and many state university endowment funds which are still in the red after the stock crash in the fall of 2009. The CLO has invested 64% of the fund in fixed income and 36% in domestic equity and has been governed by the Prudent Investor Rule since 1996. The total return on the investments in FY 2010 was 20%. The higher than average return is due to major fluctuations in the stock market in 2009 and 2010.

The largest revenue sources are from gains on the sale of securities and bond income, together they generated over \$180 million! From the land revenue, the greatest amount was generated by the minerals which made 85% of all land revenue. Oil and gas royalty of \$39 million tops the list, followed by mineral lease bonus payments of \$27 million. Overall minerals made over \$66 million.

Surface income made \$14 million for the schools and universities. Eighty percent of the surface lands are leased for grazing. That's 592,000 acres or about the size of the entire state of Rhode Island. The grazing fees vary ranging from \$8 to \$21 per Animal Unit Month (AUM). An Animal Unit Month is the forage needed to sustain a cow and calf for a month. The number of AUMs on a property are based on the carrying capacity of the land. The fee paid is determined at a public auction with the base rental set by market rent comparables. Agricultural fees range between \$18 and \$100 per acre. Like grazing fees, the agricultural fee is determined by the highest bidder at a public auction with the base rental determined by market comparables. There are about 150,000 acres under agricultural lease. The agricultural leases also include hunting and recreation rights and are the largest surface revenue source. These public auctions for surface leases are held each fall and are well attended and competitive.

Commercial and industrial leases on 6,000 acres have vari-





Major FY 2010 Revenue Sources include:

Investments	\$ 180 million
Oil & Gas Royalty	\$ 39 million
Other Mineral Revenue	\$ 27 million
Surface Revenue	\$ 12 million

Other FY 2010 Revenue Sources include:

Grazing on 592,087 acres
Agriculture/ Hunting on 147,687 acres
Commercial/ Industrial on 6,095 acres
Conservation leases on 120 acres

able fees. Long term lease rental fees are based on the appraised land value capitalized at the CLO investment rate of 6%. Rent then escalates at 15% per five year period of the contract. Rental fees for unique uses are based on comparable rental fees. Residential leases typically vary between \$80 and \$100 per month, though some sites demand a higher rent based on the appraised value of the land and comparable rentals. A million dollars was earned from the sale of investment properties and \$1.4 million from easement sales. There were 120 acres leased for conservation for about \$273,000 in FY 2010. The fee is determined by the difference between the appraised agricultural value and the development value of the land. There have been no sales or exchanges of conservation land. Like their neighbors in Texas and New Mexico fires have scorched homes and grasslands needed for grazing this years Volunteer firefighters like the ones pictured above make up the majority of the fire departments in the rural areas .

Oklahoma is still entitled to 80 acres from the original Congressional grants of over 3 million acres. The CLO has selected 80 acres but the federal government has refused to grant the mineral rights with the property. The CLO is standing firm on acquiring all rights with the property and continuing to demand the selection be granted.

Technological upgrades to track royalty payments on a monthly basis have provided challenges and opportunities. Likewise the wind farms leased in western Oklahoma are a new area of focus for the CLO. The agency continues to market gas to educational institutions saving taxpayers and state institutions \$2.2 million in FY 2010.